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Report to the Subcommittee on Interior
and Related Agencies, Committee on
Appropriations, House of Representatives

March 1988

FOREST SERVICE

Evaluation of "End- Results" Budgeting Test



Released

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United States
General Accounting Office
Washington, D.C. 20548

Accounting and Financial
Management Division

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March 31, 1988

The Honorable Sidney R. Yates
Chairman,
The Honorable Ralph Regula
Ranking Minority Member,
Subcommittee on Interior
and Related Agencies
Committee on Appropriations
House of Representatives

In a letter dated July 8, 1987, you asked us to (1) monitor the Forest Service's implementation of a cost accounting system for timber sales in national forests and (2) review the Forest Service's experiment with a new budget system known as "objective-oriented budgeting" or "end-results budgeting." In a separate letter, we advised you that the Forest Service has made significant progress in implementing its timber program cost accounting system. This report presents our views of the Service's end-results budget proposal.

Your letter expressed support for the end-results budgeting objectives but also indicated concern about how the proposed system would affect accountability for appropriations. You asked us to oversee the Forest Service's tests of the system and to report to the Committee prior to the fiscal year 1989 appropriation hearings with the Forest Service. You also asked us to provide comments to the Forest Service on an ongoing basis.

Our analysis has shown that the primary elements of the Forest Service's end-results budgeting proposal are conceptually sound. Further, it will facilitate accountability for appropriations.

By nature, the Forest Service's programs often require managers to respond to unique situations and redefined priorities involving funding changes. Through the end-results budget concept, the Forest Service expects to have the ability to better manage these programs. This concept will help the Service carry out the forest plans mandated by the Congress. Accurate accounting for program costs will also be promoted.

We agree with the Forest Service's proposal to implement the primary elements of the system servicewide in fiscal year 1989. The Service is also proposing that it test a biennial budget process beginning in fiscal

Our field work was directed at assessing those parts of the Forest Service's proposal dealing with end-results budgeting that were being tested. The Service's test did not specifically include the biennial element of the budget proposal.

The Forest Service is conducting tests of its budgeting proposals on a regionwide basis in one region (Region 9), on a forestwide basis at certain forests in other regions, and at two experiment stations. In Region 9, we reviewed the tests in two forests: Mark Twain National Forest in Missouri and the Hiawatha National Forest in Michigan. We also reviewed work at two ranger districts in the Ottawa National Forest in Michigan and Nicolet National Forest in Wisconsin. Also included in our review were two forests in other regions—Ochoco National Forest in Oregon (Region 6), and Gallatin National Forest in Montana (Region 1).

At these locations, we gathered documentation and conducted tests and interviews as necessary to compare appropriate elements of the normal budget process in fiscal year 1985 with the experimental process in fiscal year 1987. We (1) conducted limited tests to determine whether district employees were charging time to management codes that reflected the work they were doing, (2) tested the usefulness of program output targets being proposed for congressional oversight, (3) tested the linkage between program output targets in the budgets (including those being proposed for oversight) and those used in land management plans, in performance appraisals of forest managers, and in reports to the Congress, (4) interviewed resource managers to determine whether less time was required for financial management and administration under the new approach, and (5) attempted to document or determine through interviews how funds were being used under the new authority to shift funds among work activities.

We performed our review from September 1987 to March 1988. It was conducted at Forest Service headquarters offices in Washington, D.C., and the field locations mentioned above, in accordance with generally accepted government auditing standards.

Benefits Associated With the End-Results Budget Approach

The Forest and Rangeland Renewable Resources Planning Act of 1974, as amended by the National Forest Management Act of 1976, mandated forest plans which establish objectives, and thus work, for each forest. Funds for this work could, therefore, be provided through the budgeting process and the results of Forest Service programs could be assessed against these plans.

to reforest the predetermined number of acres at a lower cost than allocated to it, it would be able to use the funds for other worthwhile purposes as laid out in the forest plans.

Greater Flexibility in Shifting Funds

The basic budget cycle of the Forest Service sets plans for a forest 2 years before the budget is enacted, but circumstances may change. For example, if a forest had planned to burn vegetation to promote wildlife habitat, and was unable to do so due to adverse weather, the work should obviously be postponed. Or, a deteriorated waste disposal system in a campground might need replacement which was not planned. By allowing the Service greater opportunity to shift funds within a consolidated line item, circumstances such as these can be better managed.

At each test unit we visited, forest managers had the authority to use funds at their discretion within the consolidated line item so long as planned targets were met. In 1985, before the test was conducted, pilot test units were held accountable for up to 29 budget line items and had no authority to shift funds among them without requesting reprogramming. We were told that forest managers believed the time required to obtain reprogramming authority often rendered that option impractical.

In 1987, under the tests, the units were held accountable for one to eight line items. One of the line items consisted of a consolidation of from 9 to 15 programs into a single line item. The test units were given authority to shift dollars among any of the programs in that consolidated line item. The programs consolidated into a single fund by each test unit varied somewhat, as shown in appendix IV.

Our review showed that the test units exercised their new authority to shift funds among work areas, both at the start of the year and as the year progressed. Following are examples of how funds were redirected from one area to another:

- The Ochoco National Forest shifted \$368,000 of regional allocations between various programs. For example, the forest decreased amounts allocated to fire, timber, and general administration and increased amounts allocated to recreation, range, wildlife, and land exchange. In lowering the first amounts, forest personnel did not reduce the output targets they were expected to meet.
- At the Hiawatha National Forest in Region 9, we were told that savings realized by the Rapid River Ranger District were used to pay for a road to a boat ramp, road signs for deer crossings, Youth Conservation Corps'

new approach, we noted that the district recorded costs under 11 functions. At each test unit we visited, line officers told us that some of the fiscal year 1987 funding shifts that show up in the records under end-results budgeting represent a more accurate depiction of expenditures.

Further, Forest Service line officers and resource managers readily acknowledge that in the past they were often held responsible for numerous small accounts. At the district level, particularly, the amounts in these accounts could be as low as a few hundred dollars. Forest Service line officers told us that their normal reaction to being held responsible for numerous accounts at year-end led to a system whereby the amount charged to an account was often based on the amount budgeted for that account, rather than the actual work chargeable to the account.

Our work showed that under the new system, forest resource managers were no longer held responsible for numerous small accounts. They were thereby free to ensure that costs were accurately charged to proper accounts based on where the work was actually performed. Our tests of the accuracy of cost charges showed that most employees included in the test were aware of the need to charge time as worked. It also showed that these employees knew—and used—the proper codes to charge for the variety of work they did. As we will discuss later, more needs to be done in this area. We are encouraged, however, with the progress to date.

Attention Needed on Several Matters to Realize the System's Full Potential

At each of the test locations, we found that certain aspects of the system need strengthening before the full potential of the new approach can be realized. These aspects of the system relate to accurately charging costs to accounts, identifying useful program output targets, accurately recording and reporting target accomplishments, and relating useful oversight targets to land management plans. The Forest Service is currently addressing all of them.

Increasing Oversight Emphasis on Program Output Targets

Through the output targets, the Forest Service is asking the Congress to emphasize greater oversight on the services and goods that forests produce. It thus becomes increasingly important that such measures of performance be expressed in terms that will allow the Congress to influence the actual activities for which managers are responsible. It also becomes increasingly important for such congressional oversight targets to be included in program output targets used elsewhere—in land management plans for each of the forests, in other information transmitted to

many were not included in either the forest plans, Management Attainment Reporting System,¹ or explanatory notes. For example:

- Ten to fourteen of them were not present in the forest management plans we reviewed. (The exact number varied from forest to forest.) Output targets that were not present included such categories as miles of trail maintenance and acres of range vegetation management.
- Three were not present in the budget's explanatory notes to the Congress. The three targets not included were acres of range vegetation management; cases of minerals-proposals, leases and applications; and cooperative law enforcement patrol units.
- Ten were not present in management attainment reports used to track target accomplishments. Examples of the categories include acres of wilderness management and miles of road maintenance.

We also found that program output targets were used inconsistently to measure line officer performance at each test unit we visited. Some units used numerous targets, with only general references to them in the performance standards; others carefully selected targets directly related to work activities and identified them specifically in performance standards.

The Forest Service agrees that it should establish measurable links between budget oversight targets and the output targets in land management plans, Management Attainment Reporting, and the budget's explanatory notes. It already requires, as part of the program budget process, the linkage between the first two targets. It will require that these same targets be tracked in the Management Attainment Reporting System. The Forest Service also agrees that once targets are selected for congressional oversight purposes, such targets should be used to measure line officer performance. In these ways, the proposed congressional oversight emphasis on program output targets will be directly related to and capable of influencing implementation of land management plans and daily line officer program activities.

The Forest Service is considering 23 program output targets for congressional oversight purposes in the National Forest System and investment appropriation accounts. We agree with Forest Service plans to discuss

¹When field units complete congressional and agency assigned targets, data are entered into a national reporting system called the Management Attainment System. This system reports data to the Chief of the Forest Service.

accuracy, and that most of them were recording their time accurately, we believe that additional steps are needed to increase the accuracy of accounts. Here are some examples based on our work at Region 9. Similar examples were found at each test unit we visited.

In Region 9, we found the highest degree of management emphasis and direction to implement the charge-as-worked principle, but some locations still had not fully implemented these instructions. The region issued some general direction in its fiscal year 1987 final target and budget allocation letter to all forests and mentioned the charge-as-worked issue again in its fiscal year 1988 initial budget allocation letter to all forests. Some forests reemphasized the direction by issuing more specific guidance of their own. Other forests did not. Our tests showed that employees we interviewed were generally informed about the charge-as-worked principle and were trying to implement it. However, at one district we visited, two of seven employees we interviewed were using a worksheet which summarized the "budgeted hours" from all work plans to charge their time according to the budgeted hours. One other employee was charging as worked but was not sure what would be done when the time came that all "budgeted hours" for a work plan had been used with still more work being done on it.

Another problem we noted was the use of multiline codes which result in costs being charged to accounts on a planned or estimated basis instead of an actual one.² Although the use of such codes is acceptable and is authorized by Forest Service policy, the Forest Service can increase the opportunity to charge actual costs directly to work areas by closely supervising the development and use of multiline codes.

The Forest Service agreed that our tests showed a need for increased management attention to this issue, and it is taking additional steps to ensure greater accuracy in charging costs to proper accounts. Accurate cost data in the accounts and the resulting increased accuracy in computed unit costs are major benefits to be realized from end-results budgeting.

Because we worked closely with the Forest Service and provided ongoing comments on these issues as the review progressed, the Forest Service began addressing this area by revising the directives on the

²GAO has reported on the issue of planned costs in the accounts through the use of multiline codes. See Timber Sale Accounting: Analysis of Forest Service's Proposed Timber Program Information Reporting System (GAO/AFMD-86-42, April 4, 1986).

biennial cycle being a step. In our opinion, it would be prudent for the Forest Service and the Congress to test a biennial budget cycle only after being satisfied with the results of the other changes.

Observations

The Forest Service's end-results approach to budgeting is fundamentally sound. To gain the associated benefits, we support the proposal and the planned implementation schedule.

The proposal could potentially improve management of Forest Service programs and help execute the congressionally mandated, publicly debated land management plans. Further, to the extent that common program output targets are reflected in land management plans, another aspect of congressional oversight influence will be created. This will help ensure that forest activities are guided by policy decisions in these plans.

Shifting oversight emphasis from dollars in numerous budget line items to program output targets involves some revision in oversight control. This shift of emphasis, however, is not expected to reduce oversight. It is necessary, though, that the output targets given to the Congress be uniformly defined, accurately reported, and devised to allow congressional oversight to influence the daily work activities for which forest and district line officers are held responsible.

While it is ultimately up to the Congress to consider the merits of the Forest Service's proposal, we offer the following framework to help ensure success.

- Agreement between the Subcommittee and the Forest Service as to which output targets will control the Service's appropriations.
- Continued efforts by the Forest Service to improve cost data to ensure availability of accurate unit cost information which depicts the cost of providing a unit of output.
- Careful scrutiny of the process upon implementation, including, in particular, departmental oversight.

Agency Comments and Our Evaluation

As agreed with your office, we worked very closely with the Forest Service, almost on a daily basis, throughout the project. When our review indicated a need for management action in order to realize the full potential of the end-results budgeting experiment, in some cases such action was already underway and in others it was begun before our

Appendix VI
Comments From the
Forest Service

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Under the end-results structure, forests would have substantially fewer, consolidated budget line items and, once meeting established targets for output is ensured, the forests would be free to move funds within each line item. The Service thus proposes that the Congress shift its historic focus so that any significant reduction in output targets becomes subject to reprogramming.

Under the proposed system, authority would continue to be requested to reprogram funds between budget line items for those main appropriations which have more than one line item. However, the forest management would have authority to shift funds within line items to most effectively and efficiently accomplish goals. Authority to reprogram funds within budget line items would be requested when such reprogramming resulted in a significant decrease in any agreed upon program output target related to the line item. Thus, so long as targets are accomplished as planned, the Service managers would be free to shift funds among work activities within a budget line item but not from one line item to another.

Element 4: Change to 2-Year Availability

The Service wants to change all appropriations currently available for 1-year to 2-year availability. From a program management standpoint, appropriations should be available long enough to provide the flexibility to effectively and economically execute the program objectives established pursuant to law, but short enough to force any needed planning and budget execution discipline.

Element 5: Biennial Appropriations

Under this element, the Congress would decide on appropriation levels every other year. This could offer some efficiencies by reducing the Forest Service's workload associated with annual budget preparations and presentations to the Congress (assuming relatively few adjustments in the off year). Any time saved in the off year could be devoted to initiatives for improving Forest Service management and operations. This is a logical step of a phased process of implementation of the primary elements just outlined.

**Appendix II
Comparison of Existing Budget Structure
With Proposed Budget Structure for the
Forest Service**

Existing Fiscal Year 1988 Line Items	National Forest System Appropriation	Fiscal year 1989 Output Targets
Cultural resources	Consolidated Fiscal Year 1989 Line Item	Cultural resources management
Fighting forest fires		
Wildlife and fisheries administration Wildlife and habitat improvement Inland fish habitat improvement Endangered and threatened species habitat improvement Anadromous fish		Wildlife and fish habitat improvement in acres Wildlife and fish habitat improvement structures
Range vegetation management Range structure improvements Wild horse and burro management Range forage improvement		Range vegetation management
Noxious weed control		Noxious weed controls
Soil, water, and air administration Soil and water resource improvements Soil and water resource inventory		Watershed resource improvements
General administration		
Locatable minerals Leasable minerals Common variety minerals Geology	Operations and Maintenance	Minerals, Proposals, leases and applications
Land exchange and adjustment Classification status Special uses Geometrics		Land exchange or transfer
Land line location		Land line location
Presuppression of forest fires Forest fires fuels management		Fuels management
Cooperative law enforcement		Cooperative law enforcement
Road maintenance		Road maintenance
Trail maintenance		Trail maintenance
Harvest administration Timber resource planning Sivicultural examination Sales preparation		Sales preparation
Recreation management		Developed recreation capacity
Wilderness		Wilderness management

Proposed Budget Structure of Primary Appropriations Including Targets for Oversight and Reprogramming Control

Budget Structure
Main appropriation
Budget line item
Target
National Forest System
Operations and maintenance
Minerals proposals, leases, and applications (cases)
Land exchange or transfer (acres)
Land line location (miles)
Fuels management (macres)
Coop law enforcement (patrol units)
Road maintenance (miles)
Trail maintenance (miles)
Sales preparation (mbf)
Developed recreation capacity (PAOT days available for use)
Wilderness management (macres)
Cultural resources management (macres)
Wildlife and fish habitat improvement (macres)
Wildlife and fish habitat improvement (structures)
Range vegetation management (macres)
Noxious weed control (acres)
Watershed resources improvement (acres)
Investments
Facilities construction
(tracked by project)
Road construction and reconstruction
(road construction miles)
(road reconstruction miles)
Trail construction and reconstruction
(miles)
Reforestation and timber stand improvement
(reforestation macres)
(timber stand improvement macres)
Land acquisition (acres, tracked by project)
Forest Research
Research programs
Competitive grants
State and Private Forestry
Operations and maintenance

Notes

- 1 There are no proposed changes to other appropriations
2. Macres refers to thousand acres, mbf refers to thousand board feet, and PAOT refers to persons at one time

Activities Affected by Fund Transfers, Fiscal Year 1987

Reduced activities	Amount and percentage of consolidated fund transferred	Increased activities
<p>Ochoco National Forest</p> <ul style="list-style-type: none"> Forest fire protection Timber Minerals Soil/water Land line location General administration Road & trail maintenance 	<p>\$368,457</p> <p>➔</p> <p>5.2 percent</p>	<ul style="list-style-type: none"> Range Recreation Wildlife & fish Maintenance of improvements General land management Road construction Reforestation & timber stand improvement
<p>Gallatin National Forest</p> <ul style="list-style-type: none"> Range Minerals Recreation 	<p>\$116,900</p> <p>➔</p> <p>4.6 percent</p>	<ul style="list-style-type: none"> Timber Wildlife & fish Soil/water Maintenance of improvements General land management Land line location
<p>Region 9</p> <ul style="list-style-type: none"> Minerals^a Timber^a Recreation^a Wildlife Range Soil/water/air^a Cooperative law enforcement Forest fire protection Road & trail maintenance Land line location Facilities maintenance Drug control 	<p>\$1,205,410</p> <p>➔</p> <p>1.6 percent</p>	<ul style="list-style-type: none"> General administration General land management

^a Reduction of less than 1 percent.

Appendix VI
Comments From the Forest Service

Mr. Fredrick D. Wolf

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Add reviews of (1) charge as worked, and (2) accuracy in reporting of target accomplishment to activity and program reviews:

Direction in Forest Service Manual 1400 is being revised to reflect that charge as worked and the accuracy in reporting of target accomplishment will be topics reviewed in all Program and General Management Reviews as well as all appropriate Activity Reviews. This revision will be completed this spring.

Include appropriate oversight targets in performance standards:

Once the oversight targets are agreed to by the Congress, the appropriate oversight targets will be used in line officers' performance appraisals. If these targets are accepted this spring, the standard can be used in the FY 1989 performance appraisals.

Discuss and finalize listing of targets with Congress to be used by them for oversight:

Discussions will take place this spring with appropriate members and staff personnel. We are prepared to discuss our proposed list as well as other optional targets. This list can continue to be refined over time.

Establish policy for improving the linkage of Forest Plans to the budget process:

Each National Forest will project a Forest Plan target level for each of the outputs and activities selected for use in congressional oversight. They should then project a schedule for accomplishment for each of these targets over the next 10-year period. This schedule is to be revised each year during the program development process and is to reflect actual accomplishments or other changes. The first 3 years of this schedule is to be reported to the Washington Office for use in the budget presentation process. Appropriate documentation tying any targets not presently identified in the Forest Plans to the overall goals and objectives is to be made part of the planning records. These target projections and schedules are to be developed for use in the FY 1991 program planning and development process which begins in September 1988.

Your team should be commended for their efforts. Their critical review and their highly professional assistance were vital to our efforts to complete the end-results budgeting proposal.

Sincerely,



F. DALE ROBERTSON
Chief

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Comments From the Forest Service



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Agriculture

Forest
Service

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Reply To: 1420

Date:

Mr. Fredrick D. Wolf
Director, Accounting and
Financial Management Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Wolf:

Thank you for the opportunity to review your draft report on our proposed end-results budgeting. We agree with the findings and fully support the conclusions reached.

We appreciate the Subcommittee on Interior and Related Agencies' foresight in asking you to work with us on a continuing basis during the review of our proposal. We believe the cooperation between our agencies has been instrumental in identifying many of the areas where additional refinement is needed and also in shortening the time needed to complete your assessment. Because of the ongoing communication and our active and open involvement with you, we have been able to take actions to strengthen and substantially reduce the time needed to implement the proposal.

The following summarizes actions we are taking that relate to our work with you on this report:

Complete procedures for implementing charge as worked:

We will provide national direction in our directives system on charge as worked. The direction will be in the Service-wide Finance and Accounting Handbook, FSH 6509.11k, section 14.1. This will expand on both the direction in our January 1988 letter to the Regional Foresters and Station Directors on Financial Integrity in Financial Reports as well as the existing handbook guidelines. This additional direction is scheduled for release this spring.

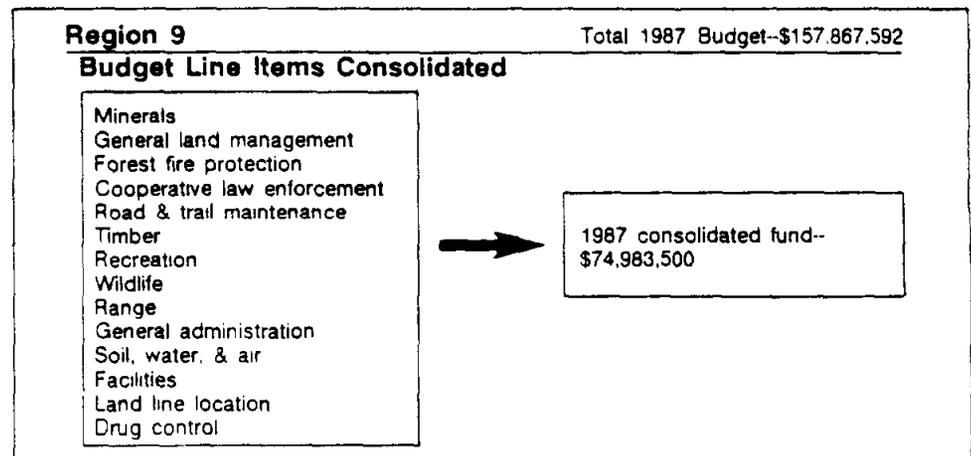
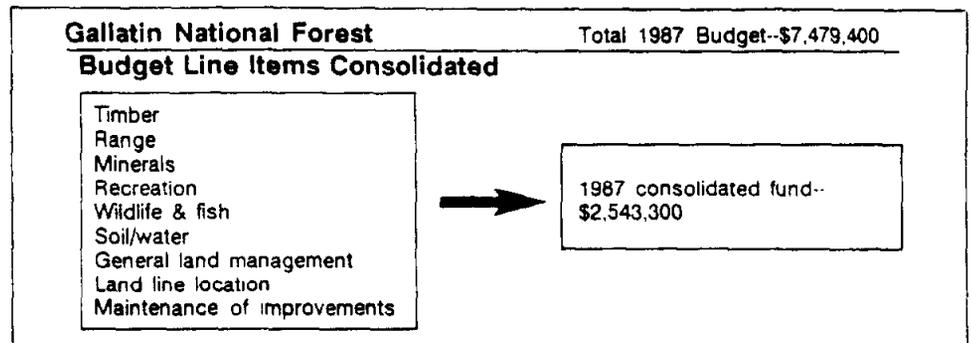
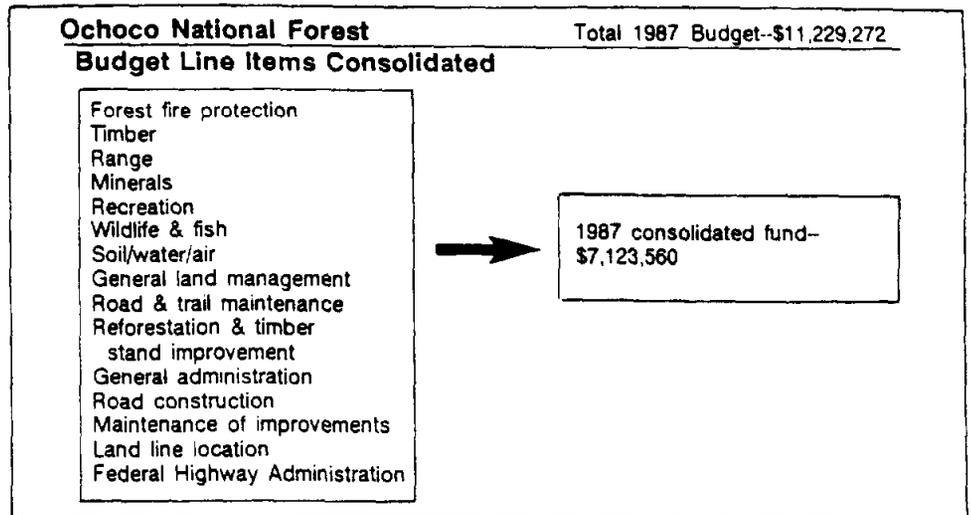
Add accountability for charges as worked to performance appraisals:

A performance standard on charge as worked will be included in all line officer performance appraisals. A national standard recently developed for implementation of the Timber Sale Program Information Reporting System (TSPIRS) policy will be used in the FY 1989 performance appraisals.



FS-6200-28b (7/86)

Budget Line Items Consolidated Under End-Results Budgeting



**Appendix II
Comparison of Existing Budget Structure
With Proposed Budget Structure for the
Forest Service**

		Investments Appropriation	
Existing Fiscal Year 1988 Account			Consolidated Fiscal Year 1989 Line Items
Facilities construction	}		Facilities construction
Road construction	}		Road construction
Road reconstruction	}		Road reconstruction
Trail construction and reconstruction ^a	}		Trail construction and reconstruction
Reforestation ^b	}		Reforestation and timberland improvements
Timber stand improvement ^c	}		
Nurseries and tree-planting ^d	}		
Land acquisition	}		Land acquisition

^aIn fiscal year 1988, this appropriation account was referred to as Construction.

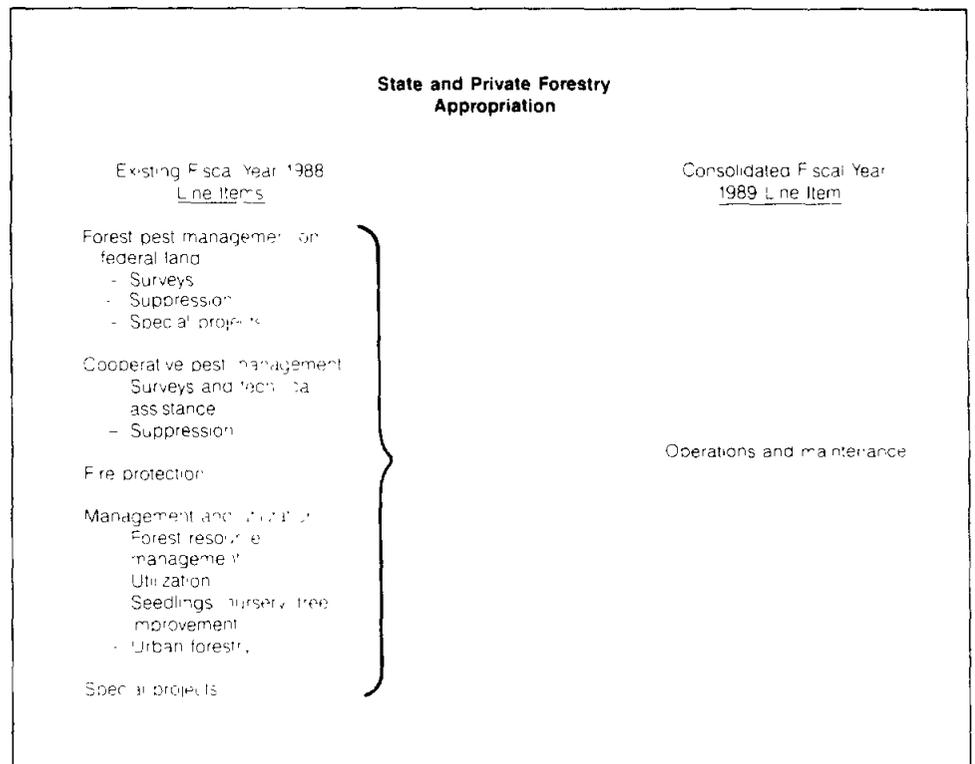
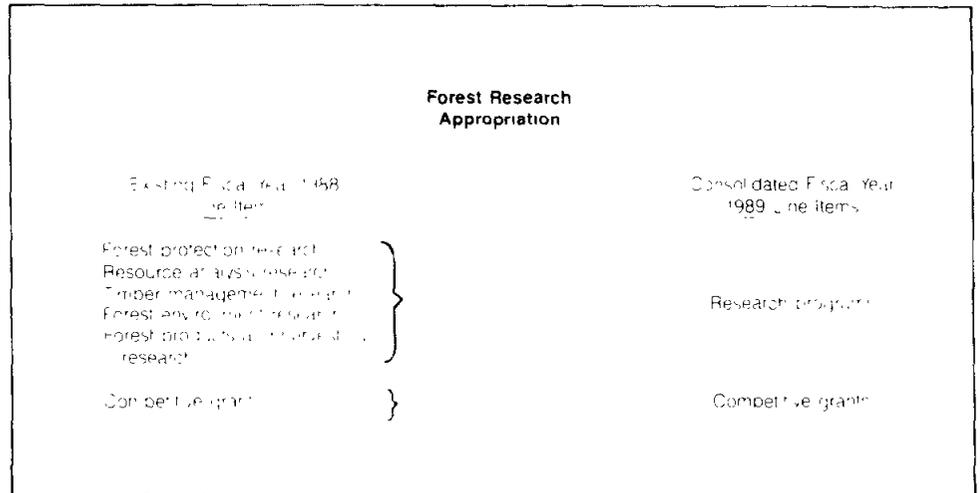
^bIn fiscal year 1988, this line item was shown under the National Forest System appropriation.

^cIn fiscal year 1988, this line item was shown under the State and Private Forestry appropriation.

^dIn fiscal year 1988, this was a separate appropriation.

Note: The following appropriation accounts remain unchanged:
Other
Permanent
Trust

Comparison of Existing Budget Structure With Proposed Budget Structure for the Forest Service



Elements of the New System

Element 1: A Streamlined Budget Structure

Under the current budget structure for appropriations affected by the new approach, a forest's budget may be divided into as many as 29 budget line items, such as timber sale preparation and forest road construction. The new structure substantially reduces the number of these line items. Four main appropriations—Research, State and Private Forestry, National Forest System, and Investments—together would have only nine budget line items. The remaining appropriations of the Service would stay essentially the same.

Some of the four revised main appropriations would have only a single budget line item; others would have several. For example, the National Forest System appropriation would have only one line item—operations and maintenance—while the Investments appropriation would have five, including facility construction, road construction, and trail construction and reconstruction.

Element 2: Evaluating Budget Accountability Through Output Targets

The revised structure calls for the Forest Service to continue specifying output targets. Under the National Forest System appropriation, for example, 16 program output targets, such as board feet of timber to be prepared for sale or miles of road to be maintained, will be specified at the work activity level within budget line items. Congressional oversight of this detailed level within each budget line item will thus be based not on dollar amounts, but on these program output targets.

Program output targets are a part of other documents besides the revised budget. Some targets are a part of the current budget system and are in land management plans, which are documents prepared at the forest level to show the expected output of forest goods and services. Output targets are also used in performance appraisals of forest managers and in various reports to the Congress.

Element 3: Increased Ability to Shift Funds

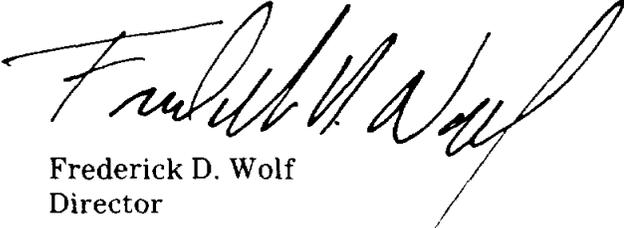
Reprogramming means the use of funds in an appropriation for purposes other than those contemplated at the time of the appropriation. It involves formal notification and opportunity for disapproval by congressional committees. Under the existing budget structure for appropriations affected by the new approach, each of the over 100 forests had up to 29 budget line items, and management believed that it had little or no ability to shift funds from one to another without requesting reprogramming authority.

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review was completed. These actions are described throughout the report, and formal Forest Service comments are in appendix VI.

Unless you announce the contents of this report earlier, we will not distribute it until 30 days from its date. At that time, we will distribute copies to the Forest Service and other interested parties.



Frederick D. Wolf
Director

“charge-as-worked” principle while our review was still in progress. On January 22, the Forest Service issued a policy emphasizing that units are expected to charge activities as worked rather than as planned, beginning with the final 1988 budget allocation. The Forest Service is developing a directive that defines the procedures needed to implement this charge-as-worked policy. On January 28, it issued specific instructions on the use of multiline codes. The Forest Service agreed that its managers must be held accountable for implementing the charge-as-worked policy. We were told that it will do so by adding this accountability to the performance measurement system and to the system of periodic management and activity reviews that already exist.

Forest Service Biennial Budget Proposal

The Forest Service’s end-results budgeting concept includes a proposal that the Service be designated to test a biennial budget process. Under such a plan, the Congress would decide every other year, rather than each year, on appropriation levels for Forest Service programs.

Under such a biennial approach, formal congressional appropriation action would theoretically be required less frequently than now. This could offer some efficiencies by reducing the Forest Service’s workload associated with annual budget preparations and presentations to the Congress. The time saved in the “off year” could be devoted to initiatives for improving Forest Service management and operations. Another possible advantage of biennial appropriations is that the extra time between appropriations decisions (assuming minimal adjustments in the off year) could add more realism and meaning to multiyear Forest Service plans.

We note, however, that these benefits of biennial budgeting might not be fully realized by the Forest Service in the current budget environment. In this era of budget uncertainty and changing deficit reduction goals and procedures, the Forest Service’s biennial appropriations could experience significant off-year adjustments in the form of rescissions, supplementals, or sequestrations. These actions would, in effect, turn the off year into another appropriation year with nearly the same work and funding uncertainty.

There is an additional matter for consideration. The Forest Service proposes a shift to a biennial cycle after first implementing the other features of its end-results budgeting proposal. The Service’s current plans call for moving to a biennial cycle after experience with the other revisions. We concur with the idea of a phased approach, with a testing of a

targets with the Subcommittee to determine which ones will be most useful for oversight.

Target Accomplishments Must Be Accurately Recorded and Reported

We noted that data used to report actual target accomplishments are not routinely verified or checked for accuracy. For example, at the Big Summit Ranger District in the Ochoco National Forest, we were told that data are gathered by the responsible resource manager and its accuracy is assumed by the line officer on the basis of general knowledge and awareness.

Similarly, at the Gardiner Ranger District in the Gallatin National Forest, the basis for meeting one target was not supported by a worksheet used to compute it, and some confusion existed about the proper definition of cases to be included in another target.

We also discussed this issue with the regional forester at Region 9. We were told that it was an area that should be strengthened in view of the increased role target accomplishments have under end-results budgeting concepts.

Targets Must Measure Program Output to Be Useful in Budget Oversight

Some Forest Service budget targets are readily usable for congressional oversight. Targets such as acres reforested are useful for budget oversight because they are directly related to the daily activities for which line officers are held accountable. An oversight focus on such targets can be expected to help the Congress influence actual program activities. However, other budget targets, such as the recreation program output target entitled acres of wilderness management, are not as useful for congressional oversight purposes because they do not directly relate to the amount of effort needed to monitor or maintain these acres.

The Forest Service told us that to enhance the use of program output targets for congressional oversight, it is developing standard output target definitions and formal procedures for ensuring the accuracy of actual target accomplishments. For example, it is developing a uniform glossary of target definitions and will include the accuracy of reported targets in its management review requirements.

Charging Costs to Proper Accounts

As noted earlier, the budget proposal provides an incentive to properly account for program costs. Although our tests showed that most employees interviewed had an increased awareness of the need for such

the Congress, and in appraisals of managers' performance. While our review disclosed progress in all of these areas, the following aspects need to be further addressed before all potential benefits from end-results budgeting can be achieved.

Output Targets Must Relate to Goals and Objectives and Be Used to Measure Performance

Land management plans guide natural resource management activities and establish management standards and guidelines for each national forest. They describe resource management practices, projected levels of resource production and management, and the availability and suitability of lands for resource management. The plans express projected outputs of expected goods and services as average annual outputs per decade. Plans are ordinarily revised every 10 or 15 years. To the extent that budget oversight targets are directly tied to land management plans and used to measure line officer performance, the Congress will have added assurance that Forest Service daily activities will be guided by the congressionally mandated and publicly debated land management goals and objectives reflected in such plans.

When we compared program output targets listed in land management plans to those used in budget explanatory notes to the Congress and in measuring line officer performance, we found some targets common to all three. For example, acres reforested, acres of timber stand improvements, and miles of road construction are included in forest plans, tracked by forest management in holding line officers accountable, and reported by Forest Service headquarters in the explanatory notes to the budget for the Congress.

Many program output targets proposed by the Forest Service for congressional oversight purposes, however, are different from those used in measuring performance, in other reports to the Congress, and in land management plans. Our findings at two national forests in Region 9—Hiawatha and Mark Twain—and the Gallatin and Ochoco National Forests illustrate the kinds of problems we found. At these forests, we compared program output targets being proposed for congressional oversight with three other sets of targets: (1) those in each forest's land management plan, (2) those reported in the national system used for keeping track of forest accomplishments, and (3) those reported to the Congress in the budget's explanatory notes. We found that of the 23 program output targets proposed for congressional oversight purposes,

programs, and solid waste disposal at a historic lighthouse. We were told about similar funding changes at the district level on each test unit we visited.

Appendix V summarizes the changes that were made at each of the test units we visited.

Authority to allocate funds among activities within each appropriation increased the forests' emphasis on, and sense of responsibility for, recording where the funds were used and using the funds where they would do the most good.

Appropriation Accountability Is Facilitated

The Forest Service is asking the Congress to place its emphasis on evaluating the Service's activities through output targets. We believe this, combined with the budget structure to be used, should provide appropriation accountability.

Although less financial information will be displayed in the proposed budget structure, the level of detailed information on actual expenditures will be the same as currently provided through the Forest Service's accounting system. Moreover, the Congress could potentially receive, under the end-results budget proposal, budget information that is more accurate than the information it now receives. This is discussed in the following section.

It is important to note also that the Forest Service's proposal anticipates providing the Congress, as in past years, with detailed cost information. According to the Forest Service, its accounting system will continue to show detailed cost data that will be available throughout the fiscal year and will be made available to the Congress for budget review as well as being included in the annual report of the Forest Service.

Increased Accuracy in Accounting Data

Some of the funding shifts discussed previously may be attributable to a more accurate accounting of a forest's actual operations. Under the prior system, forest managers did not always charge funds to reflect costs as actually worked; under the new system, they did so. For example, at one ranger district in the Hiawatha National Forest, fiscal year 1985 costs were only charged to the six line items that were budgeted, while some unbudgeted general land management functions with known workload had no recorded expenditures. In 1987, however, under the

By changing to an end-results budget concept, the Forest Service expects to provide an improved way for the Congress to oversee, and the Service to manage, national forest operations. The Forest Service foresees that productivity in its forests will be increased, appropriation accountability will be facilitated, and accounting for its costs will be improved.

Improved Program Management

By measuring program performance through output targets, the Forest Service, the Department of Agriculture, and the Congress would be able to view results of their operations in relation to planned work. In addition, by allowing increased flexibility to redirect certain funds to other priorities, the Forest Service expects to fund work where priorities dictate rather than where funds were originally planned. These factors could potentially heighten managers' achievement of program results.

Increased Productivity of Resource Managers

Forest, district, and regional resource managers at each test location unanimously declared that they had substantial additional time under the new system. They said, for example, that the additional time allowed them to supervise work projects, monitor contractor performance, and assess forest needs directly through on-site visits. In describing the additional time available, a typical comment from one manager was that he now had more time to "do what I was trained to do."

The amount of additional time that managers said could now be spent in the field rather than on budget and financial matters ranged from 10 to 20 days each year. We were unable to obtain data to verify these claims. However, while these projections may be optimistic, even modest reductions in administrative time at a ranger district could mean important increases in resource management productivity for the Forest Service as a whole.

Measuring Performance Through Output Targets

Under the proposal, the Forest Service and its managers would continue to be evaluated against program output targets and their associated unit costs. Such measures provide criteria to evaluate performance on a basis other than appropriations expended on these activities.

For example, when the Forest Service and the Congress agree that a particular number of acres should be reforested, the key element in judging performance is the number of acres reforested. Should a forest be able

year 1990. This additional element is a logical step in its proposed process, but should be taken only if the Service and the Congress are satisfied with the results of the other changes.

Our work has shown that the full potential of the new budget approach will not be realized immediately. The Forest Service must strengthen certain aspects of the approach, including the following:

- accuracy in reporting how time and money is spent and whether annual program targets are met.
- linkage of targets for use in congressional oversight, in a forest's land management plan, and in budgeting and performance reporting.

These matters are discussed further in the following sections.

Background: The End-Results Budgeting Approach

The Forest Service is proposing that it be permitted by the Congress to implement an end-results budgeting approach. The elements of this approach follow.

- The number of line items presented in the congressional budget would be streamlined.
- Budget performance would be evaluated through output targets, such as number of acres reforested, rather than solely through spending targets.
- Managers at the forest level would have greater latitude than they presently have to shift funds among their work activities.
- Appropriations would be made available for 2 years.
- The Congress would decide on appropriation levels every other year rather than annually.

The specific elements are further discussed in appendix I. Appendix II shows the existing appropriation structure and its consolidation into the Service's proposed structure. The output targets are in appendix III.

Objectives, Scope, and Methodology

The objective of this report is to advise the subcommittee whether

- the Forest Service's end-results budgeting process will affect the accountability for appropriations and
- the Forest Service's anticipated benefits are reasonable expectations under the proposed system.

